

# NCUA News

## Senate to Consider Credit Union Bill in July

The credit union field of membership bill, H.R. 1151, has been scheduled for consideration on the Senate floor July 17 and 20.

Similar to the House bill approved nearly two months ago, the current Senate version includes:

- A provision permitting credit unions to add select employee groups of up to 3,000 people;
- Community Reinvestment-like provisions;
- GAAP requirements for credit unions of \$10 million or more; and
- Changes to the Share Insurance Fund equity level and premium payout.

The Senate bill also contains a number of items not in the House bill, which would:

- Impose detailed prompt corrective action requirements recommended by the Treasury Department;
- Require credit unions over \$10 million that obtain outside audits to have these audits performed consistent with state accountancy laws;
- Limit the aggregate amount of member business loans to 1.75 times a CU's "net worth"; and
- Allow credit unions to convert to another type of financial institution with the approval of over 50 percent of voting members.

Amendments that may be offered during Senate floor debate would delete the CRA-like provisions for credit unions and eliminate CRA for small banks. Also, as the end of the legislative session draws inexorably nearer and the number of bills

with a realistic chance of moving dwindles, senators may try to attach several banking measures which are unrelated to the credit union bill, such as a Federal Home Loan Bank bill. If the final Senate bill differs significantly from the House bill, a joint House-Senate conference will be necessary. Otherwise the Senate version will be returned to the House to re-pass before going to the President for his signature.

### First U.S. Credit Union Officials and Members Visit Chairman D'Amours



Chairman Norman E. D'Amours and Claude Pelletier, chairman of St. Mary's Bank Credit Union. (Story and more photos on page 2)

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### \$\$\$ Boost for the Revolving Loan Fund

The House Appropriations Committee approved an additional \$2 million for the Community Development Revolving Loan Fund Program Thursday, June 25. The Senate Appropriations Committee has already approved \$1 million for the Revolving Loan Fund.

Both funding bills are expected to move to the full House and Senate for votes sometime in July or September.

Congresswoman Marcy Kaptur (D-Ohio) and Congressman Jerry Lewis (R-Calif.) were the primary support behind the proposed \$2 million in the House bill.

**NCUA is Sponsoring EMPOWERMENT 2000 Training for Small Credit Unions in October and November. Contact NCUA's Office of Community Development Credit Unions for details, 703-518-6610.**

## News Briefs

- **Y2K Brochure for Members** — NCUA will provide credit unions, by the end of July, with multiple copies of a Y2K brochure to distribute to members. Written in a Q&A format, the brochure answers basic questions about Y2K and what steps credit unions are taking to minimize its effect on their computer systems.
- **Treasury Eases Electronic Payments** — Due to public demand, the Treasury Department plans to ease requirements and allow recipients the choice to continue receiving paper checks for federal payments of Social Security, veterans benefits, railroad retirement benefits, federal salaries and federal retiree benefits and vendor payments. Treasury's original proposal, implementing the Debt Collection Improvement Act of 1996, stipulated that all federal payments except tax refunds would be issued electronically beginning Jan. 2, 1999.
- **Your Insured Funds Updated** — An updated 1998 *Your Insured Funds* brochure is available to purchase in

bulk — 50 for \$14. The inside front page now has a brief explanation of how member accounts are insured by the National Credit Union Share Insurance Fund, and information has been added on Roth and Educational IRAs.

- **Failures Low, Equity Level Stable** — Through May, eight credit unions had failed in 1998 at a cost to the Share Insurance Fund of \$535,000. The equity level in the Fund remains at 1.30 percent based on insured shares of \$294.3 billion at Dec. 31, 1997.

## When Does NCUA Issue and Publish LUAs?

In recent weeks, NCUA published the first Letters of Understanding (LUA) directly related to credit unions' failing to comply with the Y2K guidelines provided in NCUA's Year 2000 Contingency Plan issued in *Letter to Credit Unions 98-CU-4*, Feb. 19, 1998.

NCUA considers an LUA to be a supervisory tool, an informal administrative action. Essentially, an LUA is a contract between NCUA and a credit union that is signed by both parties. It details specific actions that a credit union agrees to follow within specified time frames to ensure safety and soundness. NCUA issues LUAs to credit unions that must make a sustained, conscientious effort to successfully correct numerous deficiencies and minimize operational problems.

### Published LUAs

The *Federal Credit Union Act* requires the publication of "any written agreement or other written statement for which a violation may be enforced by the Board unless the Board, in its discretion, determines that publication would be contrary to public interest."

NCUA is required to provide Congress with quarterly summaries of all written agreements that are enforceable under these conditions.

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## First U.S. Credit Union Members, Officials Visit NCUA

The chairman, board members, and members of the first credit union in the country, St. Mary's Bank Federal Credit Union, visited Chairman Norman E. D'Amours at NCUA headquarters in Alexandria June 18.

The 11-person delegation from Manchester, New Hampshire, Chairman D'Amours' home state, visited him to discuss their efforts to establish a national credit union museum in the original building that housed St. Mary's, the first credit union chartered in the United States in 1909.



Chairman D'Amours with Eugene Lemieux, a St. Mary's Credit Union board member.



Chairman D'Amours with St. Mary's Credit Union member Jim Normand.

## NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

**Norman D'Amours, Chairman**  
**Yolanda T. Wheat, Board Member**  
**Dennis Dollar, Board Member**

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

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## BOARD ACTIONS JUNE 23, 1998

### Operating Fund and NCUSIF Share Corporate Costs

The NCUA Board voted unanimously in June to return to the historical practice of sharing the cost of supporting the Office of Corporate Credit Unions (OCCU) between the Operating Fund and National Credit Union Share Insurance Fund via the overhead transfer, rather than assessing additional fees on all corporate credit unions.

The Board also asked the OCCU to conduct a study to determine federal corporate credit unions' ability to pay operating fees and determine the amount of regulatory versus insurance-related activities NCUA conducts at federal corporate credit unions. Results of the study will be provided to the Board this fall.

The Board also approved a recommendation to repay the additional funding the Share Insurance Fund supplied in 1998 to support the OCCU.

With examiner staff levels running below projections, a surplus is expected in the agency's 1998 budget that may be targeted to reimburse the Fund by early next year.

### NCUA Approves Charter Conversions

#### Vigo County Federal Credit Union

The NCUA Board today unanimously approved the conversion of \$21.1 million Vigo County FCU, Terre Haute, Ind., from a occupation to a community-based charter that will serve the people who live, work, worship, and attend school in low-income Vigo County.

#### Central Virginia Federal Credit Union

The NCUA Board approved, by a two-to-one vote, the conversion from multi-group to community charter of \$32.5 million Central Virginia FCU, Lynchburg, Va.

Since 1993, the credit union's sponsor has experienced a 50 percent reduction in force. This charter change permits Central Virginia FCU to diversify its membership by offering credit union service to the people who live, work, worship, or attend school, businesses and other legal entities in the primarily rural Region 2000, which consists of Virginia's Amherst County, Appomattox County, Bedford County, Campbell County, Lynchburg, Bedford, and Altavista.

### New NCUA Phone Numbers

Region II 703-519-4600  
703-519-4620 (Fax)

Region V 512-342-5600  
512-342-5620 (Fax)

Region VI 925-363-6200  
925-363-6220 (Fax)

Asset Management & Assistance Center  
512-231-7900  
512-231-7920 (Fax)

## Appraiser Registry Available Online

The Federal Financial Institutions Examination Counsel (FFIEC) now offers an Internet-based register listing all appraisers qualified to perform real estate appraisals for federal financial real estate transactions at <http://www.asc.gov>.

Part 722.3 of NCUA regulations requires federally insured credit unions to obtain state-certified or licensed appraisals for all real estate related financial transactions valued over \$100,000 and all business loans over \$50,000.

The new electronic register is a convenient, frequently updated list of all state-certified or-licensed real estate appraisers. Each state and territory provides updates regularly to the FFIEC Appraisal Subcommittee (ASC). The ASC is responsible for maintaining the list and for overseeing appraiser certification and licensing programs.

Additional information about the ASC's web site or the registry is available from Ben Henson, ASC executive director, (202)-634-6520 or via e-mail to [benh1@asc.gov](mailto:benh1@asc.gov).

## ABOUT INVESTMENTS

# Pre-Purchase Analysis Standards

The *Interpretative Ruling and Policy Statement (IRPS)* 98-2 expanding risk assessment standards was approved by



the NCUA Board in April. The Board also rescinded the High Risk Security Test for collateralized mortgage obligations (CMOs). Both actions are effective October 1, 1998. The IRPS expands risk assessment standards to cover a broad range of investments, not just CMOs. All federal credit unions should adhere to these standards.

Credit union management should understand the risk of its investments.

Price sensitivity analysis is an effective way to evaluate risk. For example, the analysis could show the price impact of an immediate parallel shift in the yield curve of plus or minus 100, 200, and 300 basis points.

Credit union policies should particularly address its risk assessment of all complex investments, which includes those with the following characteristics.

- Embedded options (e.g., prepayments, caps, calls);
- Coupon formulas related to more than one index, inversely related to an index, or multiples of an index; or
- Remaining maturity (based upon the final stated maturity) greater than three years.



## Year 2000 - Communicating with Members

The awareness phase of the Year 2000 project is typically discussed in terms of a credit union's internal awareness. Equally, if not more important, is members' awareness of possible Year 2000 computer glitches and the efforts each credit union takes to ensure Year 2000 readiness.

Credit union Y2K plans must include steps that will be taken to ensure that members are properly educated on Y2K issues related to their credit union.

During the past few months, certain publications have made statements concerning Y2K and its impact on small institutions. One article went to the extreme to recommend that individuals withdraw cash prior to December 31, 1999, and said consumers should be wary of small institutions such as credit unions.

As members become increasingly interested in Y2K, credit unions will want to ensure that knowledge about the credit union's preparation efforts is made available rather than gained from outside sources.

Educating members about Y2K is a marketing effort. Credit unions should develop a Year 2000 Member Awareness Plan that contains, at a minimum, the following elements:

- **A Y2K statement to provide members.** The statement should explain the impact of Y2K on the credit union and clearly state why members should not be concerned about their institution;
- **A policy that provides direction for staff if members ask about Y2K.** This policy should include a statement for staff to cite; a designated Year 2000 contact person if the member has additional questions; and sources for the member to obtain updated information. The last thing a credit union wants is a member approaching a credit union service representative about Y2K and getting a blank stare in response; and

- **Specific steps to keep the members informed of Y2K efforts.**

Most credit unions are working hard to be prepared for the century date change. This information should be shared with members through monthly newsletters, web sites, or statement stuffers.

When developing Year 2000 information to share with members think about possible member concerns. For example, members may be concerned about the —

- ability to access their money;
- stability of the institution; and
- accuracy of their accounts.

### Set A Good Example

When designing a Y2K Member Awareness Plan, consider your experience in trying to obtain Year 2000 information from vendors. Do requests go unanswered? Are responses a boilerplate legal document that provides little information?

This is an opportunity to set an example by clearly communicating the credit union's Y2K efforts to members. A credit union's Year 2000 readiness could become a competitive advantage. **Be prepared** to respond to members who have seen advertisements from other financial institutions concerning their Year 2000 readiness.

Members are the reason credit unions exist. In addition to management's fiduciary duty to operate the credit union in a safe and sound manner, management has a responsibility to communicate with

members on the condition of their credit union. Y2K issues demand a level of communication beyond normal member contact.

## Year 2000 Vendor Conference

NCUA held a one-day Year 2000 conference May 13<sup>th</sup> in Atlanta, Ga., for all credit union share and loan information systems vendors. Eighty people representing 47 vendors attended. Delegates from 45 state supervisory authorities were present and NCUA was represented by 82 Year 2000 specialists and central office personnel. Representatives attended from the Federal Deposit Insurance Corporation, Office of Thrift Supervision, Federal Reserve Board, National Association of Federal Credit Unions, and National Association of State Credit Union Supervisors.

The main conference objectives were:

- Provide a forum for communication between NCUA and the ISVs;
- Discuss provisions of the Examination Parity and Year 2000 Readiness for Financial Institutions Act. Under the law, NCUA intends to release vendor information so credit unions can make informed decisions;
- Discuss and obtain vendor feedback on testing; and
- Establish a cooperative spirit.

On the topic of Year 2000 testing, the vendors and NCUA discussed:

- What to test;
- When to test;
- Component testing;
- Integrated system testing;
- Acceptable strategies & plans;
- System impact on credit unions;
- Responsibility for testing - credit unions; and
- Testing methodology for in-house and on-line systems.

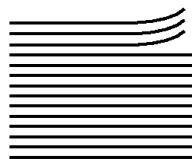
The open exchange of information with vendors will enable NCUA to develop testing guidance for the credit union industry.



## GC Opinion Letters

The NCUA Office of General Counsel responds to written requests for legal interpretations of the *Federal Credit*

*Union Act and NCUA Rules and Regulations*. Summaries of some of the latest letters issued that may interest the credit union community follows.



These legal opinions can be secured by writing the Office of Public & Congressional Affairs, 1775 Duke Street, Alexandria, Va., 22314-3428. Please provide the identifying number and title when making a request. GC opinion letters are also available electronically on the NCUA web site at [http://www.ncua.gov/ref/opinion\\_letters/opinion\\_letters.html](http://www.ncua.gov/ref/opinion_letters/opinion_letters.html)

**No. 97-1032 CUSO Cellular Phone Service** — Federal credit unions may not provide cellular telephone sales or service through a CUSO. CUSOs are to provide “services which are associated with the routine operations of credit unions,” according to the *Federal Credit Union Act*. Telephone sales and service are not related to the daily, routine operation of FCUs.

**No. 98-0106 Survey of Independent Regulatory Agencies** — NCUA’s response to an American University Law School request summarizes the NCUA Board’s operation, authority, voting procedures, and delegations of authority, and it discusses the pertinent laws considered when regulations are promulgated.

**No. 98-0308 Board of Director Loan Approval** — The Federal Credit Union Act requires that if a federal credit union has a credit committee it should approve all loan applications except loans over \$20,000 made to directors and committee members or guaranteed by directors or committee members. These require FCU board approval.

**No. 98-0409 ATM Services** — Federal credit unions may not sell postage stamps to nonmembers through ATMs. Selling postage stamps is only permitted as a “goodwill service” to members.

**No. 98-0501 Employing Spouse of an FCU Official** — The spouse of a credit union official can be employed by the credit union to repair or maintain real estate foreclosed on by the credit union provided the official is precluded from deliberations determining any matter of related pecuniary interest, including selection of such personnel or payment for such services.

**No. 98-0603 Accounting Manual** — The NCUA Accounting Manual states NCUA policy and is intended to provide guidelines and recommended procedures and practices. It is not law or regulation.

**No. 98-0623 Loans to CUSOs** — A federal credit union can lend up to “1% of its paid-in and unimpaired capital and surplus” to a CUSO without investing in the CUSO. The authority to lend to a CUSO is independent from the authority to invest in a CUSO under Section 712.2(b) of NCUA regulations.

cial of a federally insured credit union, NCUA officials discuss its publication with the credit union to prevent unfair surprises to the credit union and its officials.

In the event it is a state-chartered federally insured credit union, NCUA and the state supervisory authority may jointly issue an LUA. State requirements may or may not require publication; however, the regional director must still consider whether or not to publish the LUA.

## Ravine and Treichel Are New Region I Executives

The National Credit Union Administration Board has selected Rick L. Ravine to serve as Acting Region I Director in Albany, N. Y., for up to 18 months and Mark Treichel to be Associate Region I Director of Operations (ARDO).

**Rick Ravine** has been the Region VI associate regional director of operations since May 1998 after serving nearly three years as the associate regional director of programs in California.

Ravine’s NCUA career began in 1979 as an examiner in Fort Wayne, Ind. He progressed through the ranks in Region IV and first served as the associate regional director of programs in Region VI from 1990 to 1992. Ravine then moved to NCUA headquarters as the director of special projects in the Office of Examination and Insurance. In 1993, he became the Region III director of supervision and then served as a corporate credit union field supervisor. In late 1995, Ravine returned to the Region VI office as the associate regional director of programs.

Rick Ravine holds a B.A. degree from Eastern Washington University in Cheney, Wash.

**Mark Treichel** becomes the new ARDO in Albany effective August 3, 1998. He will assist the regional director with managing in-house staff and operations. Before assuming his new role, Treichel will complete a 90-day assignment July 30 as Director of Risk Management in headquarters. Since August 1995, Treichel has been the Region VI director of Special Actions. His career began in 1986 as an examiner in Minneapolis. A problem case officer assignment followed, and from 1991 to 1995 he was a supervisory examiner in Dallas.

Mark Treichel holds a business degree from the University of Minnesota. During his career at NCUA, Region V named Treichel examiner of the year and he gained special recognition for work on credit union conversions and training assessment.

## LUAs

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The regional director decides whether to publish or not publish an LUA. If the regional director recommends to the NCUA Board that an LUA not be published because it would be contrary to public interest and the Board concurs, the LUA remains enforceable.

When a regional director enters into an LUA with elected and appointed offi-

## Carolyn D. Jordan Named Executive Director

The National Credit Union Administration Board July 7 appointed Carolyn D. Jordan as permanent NCUA executive director, effective July 31.

Jordan is an attorney with over 25 years experience in developing federal government financial policy and programs, specializing in financial institutions, mortgage finance, secondary market activities and international trade.

NCUA Chairman Norman E. D'Amours said his nomination of Jordan as the agency's chief executive was based on her excellent credentials, including a diverse financial industry and legal background and a shared awareness of the importance of fostering the development of smaller institutions. Jordan's familiarity with credit unions includes a stint on the board of directors of a Los Angeles-based credit union.

Jordan served as counsel for the Senate Banking, Housing and Urban

Affairs Committee from 1974-1992, and as legislative assistant to Senate Majority Whip Alan Cranston (D-Calif.), from 1971-1973. She developed her regulatory expertise while working for the Financial Institutions and Securities Subcommittee. Jordan has also worked for the Justice Department, Veterans Administration, and the U.S. Copyright Office.

Most recently, her investment banking activities have included being president of the consulting firm Pegasas Global Partners, Inc., and senior vice president with the investment banking firm Pryor, McClendon, Counts & Company, Washington, D.C., from 1992-1996.

Carolyn Jordan holds a law degree from Howard University School of Law, Washington, D.C., and a bachelor of arts degree from Fisk University, Nashville, Tenn. She is a member of the District of Columbia bar, California bar, and the National Bar Association.

## Boeing Employees CU Official Visits Board Member Wheat



Board Member Yolanda Wheat (center) recently visited with Gary Oakland (left), President and CEO of Boeing Employees Credit Union in Seattle, WA., during his recent visit to Washington, D. C. Oakland, who chairs the NASCUS Credit Union Council Board, discussed with Wheat the impact of HR 1151 on state chartered credit unions. They shared ideas on how best to coordinate federal and state efforts to develop and implement the new regulatory schemes to be mandated by Congress. Also pictured is Mary Martha Fortney, NASCUS Vice President of Public Affairs and Accreditation.

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